

**APPLICATION FOR CONVERSION  
TO A STATE CHARTERED BANK**  
submitted to the  
**ARKANSAS STATE BANK DEPARTMENT**

We, the undersigned Directors of

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Corporate Title of Applicant

FDIC Certificate Number

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Street Address

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City

County

State

Zip Code

hereby apply to the State Bank Commissioner and the State Banking Board for written permission to convert to a state chartered bank.

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Proposed Name of State Chartered Bank

Name, title, address, and telephone number of person(s) to whom inquiries concerning this application may be directed:

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I hereby certify that the bank's board of directors has authorized the filing of this application and that to the best of my knowledge, it contains no misrepresentations or omissions of material facts.

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Signature of Authorized Officer

Date of Application

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Typed Name

Title

Telephone Number

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Address

## **PROCEDURES**

**Prior to Filing Application:** Prior to filing this application, Applicant is required to comply with all provisions of applicable federal law for conversion to a state bank, including all notice requirements.

**Examination:** Pursuant to the filing of the completed application, the Bank Commissioner will assign Bank Department personnel to conduct complete examinations of Applicant, including commercial, compliance, and trust (where applicable).

**Filing Fees:** A nonrefundable filing fee of **\$8,000** must accompany the application to the Bank Commissioner.

**Public Hearing:** When the investigation process is completed, the application shall be referred to the State Banking Board for consideration by it and the Bank Commissioner at a public hearing. The public hearing at which the issuance of the state charter is authorized may be called by the Bank Commissioner:

- a) by written notice to Applicant and to each member of the State Banking Board at least fourteen (14) days prior to the hearing date; and
- b) by publication in a newspaper published in the city of Little Rock and having a general and substantially statewide circulation at least fourteen (14) days prior to the hearing date.

**Stenographer/Recorder:** Applicant is responsible for procuring and paying for a verbatim record of the proceedings of the Board hearing of the application. It will be the duty of the Applicant to furnish at least one copy of the transcript to the Commissioner free of charge.

**Confidentiality:** Pursuant to the provisions of the Arkansas Freedom of Information Act, the application is a public document and available to the public upon request with the exception of personal financial statements submitted in support of the application, or that disclosure of information of a personal nature would result in a clearly unwarranted invasion of personal privacy.

If Applicant is of the opinion that disclosure of commercial or financial information would likely give advantage to its competitors, confidential treatment of such information may be requested. The request for confidential treatment must be submitted in writing concurrently with the submission of the application, and must discuss in detail the justification for confidential treatment. Such justification must be provided for each response for which confidential treatment in the public portion of the application is requested. Applicant's reasons for requesting confidentiality should demonstrate specifically the harm that would result from public release of the information. A statement simply indicating that the information would result in competitive harm or that it is personal in nature is not sufficient. It must be demonstrated that disclosure would meet either the "substantial competitive harm" or "unwarranted invasion of personal privacy" test.

Information for which confidential treatment is requested should be:

- a) Specifically identified in the public portion of the application (by reference to the confidential section);
- b) bound separately from the public portion of the application; and
- c) labeled "Confidential". The same procedure should be followed with regard to filing any supplemental information to the application, or in filing personal financial statements.

The Department will determine if information submitted as confidential will be so regarded, and will advise Applicant of any decision to make available to the public information labeled "Confidential". However, it shall be understood that, without prior notice to Applicant, the Department may disclose or comment on any of the contents of the application in the Order or Statement issued by the Department in connection with a decision on the application.

## **DOCUMENTATION AND INFORMATION**

- 1) **PROPOSED ARTICLES OF INCORPORATION:** Provide two (2) originals and three (3) copies of the proposed Articles of Incorporation of the proposed institution, bearing the signatures of authorized parties. Articles of Incorporation must have been approved by the stockholders.

See attachment – **Articles of Agreement and Incorporation**

- 2) **CONSISTENCY OF CORPORATE POWERS:** It is contemplated that the proposed bank will have only such corporate powers as are granted to a State banking corporation under the provisions of State law. All requirements (including security requirements) of any Federal supervisory authorities will be met.

Will the resulting state chartered bank operate a trust department?

- 3) **RESOLUTION BY BOARD OF DIRECTORS:** Provide a certified copy of the minutes of the meeting in which the Board of Directors approved the filing of the application.

- 4) **NOTICE TO SHAREHOLDERS:** Provide a copy of the notice informing shareholders of the meeting at which the proposed conversion was considered.

- 5) **CERTIFIED COPY OF SHAREHOLDER MINUTES:** Provide a certified copy of the minutes of the shareholders meeting at which the proposed conversion was approved, and the proposed Articles of Incorporation were approved.

- 6) **PROOF OF PUBLICATION:** Formal proofs of publication must be submitted with the application to document publication of notice in conformity with applicable federal law requirements for conversion to a state bank.

- 7) **INSURANCE COVERAGE:**

- a) Provide proof of FDIC Insurance;
- b) Describe the fidelity insurance now in force or to be purchased covering active officers and employees.

- 8) **PROPOSED CHANGES IN MANAGEMENT:** Identify any changes contemplated in the directorate or active management of Applicant as a result of the conversion.

## **DOCUMENTATION AND INFORMATION (CONTINUED)**

- 9) **BANK PREMISES:** Provide the following data:
- a) A detailed description of bank premises;
  - b) date of construction;
  - c) depreciated book value of all premises and fixed assets; and
  - d) plans to purchase or construct additional facilities.
- 10) **OTHER LOCATIONS:** Provide a list of each authorized branch location, ATM location, and loan production office that the institution intends to operate after the conversion, including approved and unopened locations.

See Attachment - **Branch, ATM, and Loan Production Office Questionnaires**

- 11) **CERTIFICATE OF GOOD STANDING:** Provide information from the *Office of the Comptroller of the Currency/Office of Thrift Supervision* indicating that Applicant is duly chartered and operating as a *national banking association/savings and loan association*.
- 12) **CERTIFICATE SIGNED BY PRESIDENT AND CASHIER:** Provide a certificate verifying and denoting all action taken by Applicant in compliance with federal law to convert a national bank or savings association to a state bank.
- 13) **FINANCIAL REPORT FORMS:** Provide financial information for all proposed directors and executive officers (report forms enclosed).
- 14) **FINANCIAL REPORTS:**
- If converting institution is a savings and loan association, submit copies of the most recent quarter and year-end Thrift Financial Reports. In addition, submit the current Uniform Thrift Performance Report.

15)

**ESTIMATED FINANCIAL STATEMENTS**

Provide a statement of the assets and liabilities and income and expenses of the proposed state chartered bank, as of the date of the last quarterly report. Include pro forma balance sheet and income statement of Applicant for the first three years of operations, reported as of the fiscal year-ends.

Applicant may report financial information in another format, however, please include all accounts listed below.

<b>AVERAGE ASSETS</b>	<b>QUARTERLY INFORMATION</b>	<b>YEAR 1</b>	<b>YEAR 2</b>	<b>YEAR 3</b>
CASH				
SECURITIES				
LOANS				
LESS RESERVES				
FIXED ASSETS				
OTHER REAL ESTATE				
GOODWILL				
OTHER ASSETS				
TOTAL ASSETS	\$	\$	\$	\$
<b>AVERAGE LIABILITIES</b>				
NON-INT BEARING DEP				
INT BEARING DEPOSITS				
TOTAL DEPOSITS				
FED FUNDS PURCHASED				
BORROWINGS				
SUBORDINATED NOTES				
OTHER LIABILITIES				
TOTAL LIABILITIES	\$	\$	\$	\$
TOTAL EQUITY CAPITAL	\$	\$	\$	\$
<b>OPERATING EARNINGS</b>				
INT AND DIS ON LOANS				
INT AND DIV ON SEC				
SERVICE CHARGE INC				
OTHER OPERATING INC				
GROSS OPERATING INC	\$	\$	\$	\$
<b>OPERATING EXPENSES</b>				
INT ON DEPOSITS				
INT ON BORROWINGS				
SALARIES AND WAGES				
PROV FOR LOAN LOSSES				
OTHER OPERATING EXP				
INCOME TAXES				
TOTAL OPERATING EXP	\$	\$	\$	\$

NET OPERATING INC	\$	\$	\$	\$
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16)

**ADEQUACY OF CAPITAL STRUCTURE**

Minimum capital requirements are set forth in A.C.A. § 23-48-310. Notwithstanding statutory requirements, the Bank Commissioner will exercise his judgment as to the adequacy of the proposed capital structure.

A statement of the paid in capital structure is as follows:

	Number of shares	Par value per share	Amount
Preferred capital	(    )	(\$    )	\$
Common capital	(    )	(\$    )	
Surplus			
Undivided Profits			
Other segregations of the capital account*			
Total capital			\$

It shall be the policy of Applicant to maintain at all times an adequate ratio between the total sound capital structure and the value of its assets. Please refer to the enclosed State Bank Department Capital Adequacy Policy.

\*Describe other segregations of capital, including intangibles.

17)

**MANAGEMENT**

The proposed Directors and Executive Officers are listed below with information concerning each. Following the name of each, provide a brief resume of past business and banking experience and any other qualifications as well as a brief statement of the proposed duties and responsibilities in connection with bank operations. It is also requested that each proposed Director and Executive Officer complete the enclosed **Interagency Biographical and Financial Report** and return with the application.

Applicant may report management information in another format, however, please include all categories listed below.

Name, Citizenship, Residence & Occupation	Age	Title or Position	Net Worth	Annual Salary	Par Value of stock to be Subscribed	
					Preferred	Common

**CERTIFICATE**

In support of this application, the undersigned hereby make the following statements and representations and certify, jointly and severally, that statements contained in this Application are true to the best of their knowledge and belief, and are made for the purpose of inducing the State Banking Board to approve the proposed conversion and hereby request that an Examiner of the State Bank Department be assigned to make the necessary investigation.

Signed: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Dated: \_\_\_\_\_

Charter No. \_\_\_\_\_

*Articles*  
*OF*  
*Agreement and Incorporation*  
*OF THE*

Situated at \_\_\_\_\_

\_\_\_\_\_

PAID-IN CAPITAL..... \$

PAID-IN SURPLUS ..... \$

UNDIVIDED PROFITS ..... \$

NUMBER OF DIRECTORS.....

Approved by the Bank Commissioner and the State Banking Board on this \_\_\_\_\_ day of  
\_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_  
Bank Commissioner of the  
State of Arkansas

STATE BANKING BOARD

By: \_\_\_\_\_  
Chairman

ATTEST:

\_\_\_\_\_ Secretary

STATE OF ARKANSAS

# State Bank Department

## ARTICLES OF AGREEMENT AND INCORPORATION OF THE

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KNOW ALL MEN BY THESE PRESENTS:

That the incorporators hereinafter named, a majority of whom are bona fide residents of the State of Arkansas, have this date, and by these presents, formed a corporation under and in pursuance of the laws of the State of Arkansas, therein provided by an Act of the General Assembly of the State of Arkansas, entitled, "The Arkansas Banking Code of 1997," approved February 4, 1997 as amended, and in evidence thereof do hereby execute the following Articles of Incorporation:

First: The name of said Institution shall be \_\_\_\_\_

Second: The place of business is to be located at \_\_\_\_\_

\_\_\_\_\_ County of \_\_\_\_\_ State of Arkansas.

Third: The amount of capital stock authorized of said bank or trust company shall be \_\_\_\_\_ shares, of which \_\_\_\_\_ shares have been subscribed for and paid in by the Incorporators at an aggregate subscription price of \$\_\_\_\_\_. This has resulted in a total capital structure as shown by the endorsement upon the front page of these articles. The amount of paid-in surplus shall be \$\_\_\_\_\_.

Fourth: The number of shares, the relative preferences, and powers and rights of each class shall be \_\_\_\_\_.

Fifth: The names of the stockholders and the number of shares owned by them, respectively, and their places of residence, are as follows:

[illegible]

Sixth: The voting for directors (*shall/shall not*) be cumulative, and *if applicable, describe the extent of the preemptive rights of stockholders.*

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Seventh: The nature of the business proposed to be transacted by this corporation is

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Eighth: The affairs and business of the Corporation shall be controlled by a Board of Directors (not less than three) consisting of not less than \_\_\_\_ nor more than \_\_\_\_ members, as determined at each annual meeting. Said Board of Directors shall elect one of its members as President, and such number of Vice-Presidents as may be provided by the by-laws, and may also elect a Secretary, Treasurer, and Cashier. The initial Board of Directors shall consist of the following individuals:

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Ninth: The Board of Directors is empowered to ordain and establish all by-laws and regulations necessary to the management and business of said Corporation, and alter and repeal same at pleasure.

Tenth: The first meeting of the Incorporators for organization shall be held in \_\_\_\_\_  
\_\_\_\_\_ at the office of \_\_\_\_\_  
at \_\_\_\_ o'clock on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

[illegible]

**ACKNOWLEDGMENT**

**STATE OF ARKANSAS**

County of \_\_\_\_\_

Be it remembered that on this day came before the undersigned a \_\_\_\_\_  
within and for the County and State aforesaid, duly commissioned and acting \_\_\_\_\_

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Incorporators of the above named bank or trust company and acknowledged that they signed and  
executed the foregoing instrument for the consideration and purposes therein mentioned and set  
forth.

Witness my hand and seal, this \_\_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_.

\_\_\_\_\_

**BRANCH OFFICE QUESTIONNAIRE**  
(Please Type And Make Copies as Needed)

**BANK NAME:** \_\_\_\_\_

**CITY:** \_\_\_\_\_

**BRANCH OFFICES (EXCLUDE MAIN OFFICE):**

Street Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_

Telephone Number: \_\_\_\_\_ Facsimile Number: \_\_\_\_\_

Street Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_

Telephone Number: \_\_\_\_\_ Facsimile Number: \_\_\_\_\_

Street Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_

Telephone Number: \_\_\_\_\_ Facsimile Number: \_\_\_\_\_

Street Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_

Telephone Number: \_\_\_\_\_ Facsimile Number: \_\_\_\_\_

Street Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_

Telephone Number: \_\_\_\_\_ Facsimile Number: \_\_\_\_\_

## LOAN PRODUCTION OFFICE QUESTIONNAIRE

(Please Type And Make Copies as Needed)

**BANK NAME:** \_\_\_\_\_

**CITY:** \_\_\_\_\_

### LOAN PRODUCTION OFFICES:

Name: \_\_\_\_\_

Street Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_

Telephone Number: \_\_\_\_\_ Facsimile Number: \_\_\_\_\_

Name: \_\_\_\_\_

Street Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_

Telephone Number: \_\_\_\_\_ Facsimile Number: \_\_\_\_\_

Name: \_\_\_\_\_

Street Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_

Telephone Number: \_\_\_\_\_ Facsimile Number: \_\_\_\_\_

Name: \_\_\_\_\_

Street Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_

Telephone Number: \_\_\_\_\_ Facsimile Number: \_\_\_\_\_

## **AUTOMATIC TELLER MACHINE QUESTIONNAIRE**

(Please Type And Make Copies as Needed)

**BANK NAME:** \_\_\_\_\_

**CITY:** \_\_\_\_\_

**ATMs:**

**LOCATIONS:**

Street Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_

Attached to Bank Office or Free Standing: \_\_\_\_\_

Network Affiliation (Cirrus, Gulfnet, Mpact, etc.): \_\_\_\_\_

Street Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_

Attached to Bank Office or Free Standing: \_\_\_\_\_

Network Affiliation (Cirrus, Gulfnet, Mpact, etc.): \_\_\_\_\_

Street Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_

Attached to Bank Office or Free Standing: \_\_\_\_\_

Network Affiliation (Cirrus, Gulfnet, Mpact, etc.): \_\_\_\_\_

Street Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_

Attached to Bank Office or Free Standing: \_\_\_\_\_

Network Affiliation (Cirrus, Gulfnet, Mpact, etc.): \_\_\_\_\_

# **Arkansas State Bank Department**

## **Examination Policies**

### **CAPITAL ADEQUACY**

**Policy Number - 98-1**

**Policy Dated 01/01/98**

Capital is the cushion that enables banks to sustain losses due to economic declines and unanticipated financial setbacks. It is the buffer between unreserved losses and the interest of depositors and creditors. As the ownership interest of shareholders, capital instills discipline and motivates bank managers to exercise prudence in the acceptance and management of risk. Adequate capital promotes public confidence and enables banks to more safely support and stimulate economic growth through the ability to attract deposits at reasonable rates and lend money to qualified borrowers.

The federal bank regulatory agencies have adopted uniform risk based capital guidelines and have agreed on a minimum leverage ratio. The primary objectives of risk based capital are to: 1) make regulatory capital requirements more sensitive to differing risk profiles among banks; 2) factor off-balance sheet risk exposure into the assessment of capital adequacy; 3) minimize disincentives to hold more liquid, low risk assets; and 4) achieve greater consistency in the evaluation of bank capital adequacy world-wide.

### **POLICY**

The Arkansas State Bank Department hereby adopts the capital adequacy guidelines established by the Federal Deposit Insurance Corporation and Federal Reserve System for state-chartered banks. These guidelines establish a minimum capital level for: (1) Total risk-based capital ratio; (2) Tier 1 risk-based capital ratio; and (3) The leverage ratio. Specific capital levels and "capital adequacy categories" are identified below. Minimum capital levels are applicable to well managed banks with strong risk management practices in place, and assigned a composite 1 or 2 CAMELS rating by regulatory agencies. Banks not meeting this criteria will be required to maintain higher capital ratios. The Bank Commissioner retains the authority to require higher capital levels based on the condition of the bank and the performance of management and directors.

### **CAPITAL CATEGORIES AND MINIMUM CAPITAL LEVELS**

A **well capitalized** bank:

- (i) Has a total risk-based capital ratio of 10.0 percent or greater; and
- (ii) Has a Tier 1 risk-based capital ratio of 6.0 percent or greater; and
- (iii) Has a leverage ratio of 5.0 percent or greater; and
- (iv) **Is not subject to any written agreement, order, capital directive, or prompt corrective action directive issued by regulatory agencies to meet and maintain a specific capital level.**

An **adequately capitalized** bank;

- (i) Has a total risk-based capital ratio of 8.0 percent or greater; and
- (ii) Has a Tier 1 risk-based capital ratio of 4.0 percent or greater; and
- (iii) Has:
  - (A) A leverage ratio of 4.0 percent or greater; or
  - (B) A leverage ratio of 3.0 percent or greater if the bank is rated composite 1 under the CAMELS rating system in the most recent examination of the bank and is not experiencing or anticipating significant growth; and
- (iv) Does not meet the definition of a well-capitalized bank.

An **undercapitalized** bank:

- (i) Has a total risk-based capital ratio that is less than 8.0 percent; or
- (ii) Has a Tier 1 risk-based capital ratio that is less than 4.0 percent or
- (iii) Has:
  - (A) A leverage ratio that is less than 4.0 percent; or
  - (B) A leverage ratio that is less than 3.0 percent if the bank is rated composite 1 under the CAMELS rating system in the most recent examination of the bank and is not experiencing or anticipating significant growth.

A **significantly undercapitalized** bank:

- (i) Has a total risk-based capital ratio that is less than 6.0 percent; or
- (ii) Has a Tier 1 risk-based capital ratio that is less than 3.0 percent; or
- (iii) Has a leverage ratio that is less than 3.0 percent.

A **critically undercapitalized** bank has a ratio of tangible equity to total assets that is equal to or less than 2.0 percent.

## **CAPITAL COMPONENTS**

Tier 1 or core capital consists of the following: common stock, surplus, noncumulative perpetual preferred stock, undivided profits and capital reserves, minority interest in consolidated subsidiaries, qualifying portions of mortgage servicing assets (generally limited to: 1) 50% of the bank's equity capital exclusive of serving rights; 2) 90% of the original price of the servicing rights; or 3) 90% of the fair market value of those servicing rights), and qualifying portions of purchased credit card relationships, less ineligible intangible assets, identified losses and ineligible gains or losses on available-for-sale securities.

Tier 2 or supplemental capital consists of the following: allowance for loan and leases losses (up to a maximum of 1.25 percent of risk-weighted assets), cumulative perpetual preferred stock, subordinated debt with original maturities greater than five (5) years, limited life preferred stock with original maturities greater than five (5) years, long-term preferred stock with a maturity greater than 20 years, mandatory convertible debt, and other capital instruments in compliance

with federal regulations. The maximum amount of tier two capital that may be recognized for risk-based capital purposes is limited to 100 percent of tier one capital. The allowable volume of subordinated debt and limited life preferred stock that may be recognized as part of tier two capital is limited to 50 percent of tier one capital.

#### POLICY CHANGES

Specifics identified in capital categories, minimum capital levels, and capital components will change in order to remain consistent with modifications adopted by the Federal Deposit Insurance Corporation and the Federal Reserve System.